

By: Flynn

H.B. No. 2910

A BILL TO BE ENTITLED

AN ACT

relating to electric rates imposed on residential customers by certain electric utilities in the ERCOT region.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Subchapter D, Chapter 36, Utilities Code, is amended by adding Section 36.157 to read as follows:

Sec. 36.157. RATE EQUITY FOR RESIDENTIAL CUSTOMERS OF CERTAIN ELECTRIC UTILITIES IN ERCOT. (a) To the extent of any conflict between this section and another provision of this chapter, this section controls.

(b) If the commission finds that an electric utility that operates in the ERCOT region charges nonbypassable distribution rates for residential customers that are equal to or more than 175 percent of the average of the residential distribution rates for all transmission and distribution utilities operating in the ERCOT region, the rates of the utility are considered to be unreasonable and the commission shall initiate an inquiry under this subchapter.

(c) In any rate proceeding for an electric utility after the commission finds that the utility's rates are unreasonable as described by Subsection (b), the commission shall:

(1) ensure that the utility's expenses for federal income tax are limited to only that income of the utility that is subject to the federal tax, after accounting for tax deductions associated with distributions of income from the

1 utility;

2 (2) ensure that the expenses of the utility are
3 reasonable and necessary, including expenses charged to the utility
4 by an affiliate;

5 (3) ensure that utility's invested capital is used and
6 useful in providing service to the public; and

7 (4) allocate a sufficient portion of the utility's
8 invested capital related to the distribution function to the
9 postage stamp method of pricing under Section 35.004(d) in a manner
10 that allows the utility to recover a reasonable return on the
11 utility's invested capital as described by Section 36.051, except
12 that the utility's residential distribution rates may not exceed
13 133 percent of the average of the residential rates for all
14 transmission and distribution utilities operating in the ERCOT
15 region.

16 (d) The commission shall require an electric utility
17 described by Subsection (b) to file annual plans with the
18 commission describing future planned additions to invested
19 capital, including an analysis of the impact of the additions on
20 customer rates.

21 SECTION 2. Section 37.059(a), Utilities Code, is amended to
22 read as follows:

23 (a) The commission may revoke or amend a certificate after
24 notice and hearing if the commission finds that:

25 (1) the certificate holder has never provided or is no
26 longer providing service in all or any part of the certificated
27 area; or

1 (2) the certificate holder operates in the ERCOT
2 region and charges nonbypassable distribution rates for
3 residential customers that are equal to or more than 175 percent of
4 the average of the residential distribution rates for all
5 transmission and distribution utilities operating in the ERCOT
6 region.

7 SECTION 3. This Act takes effect September 1, 2017.